

Analysis and Research on the Performance of Assets Reorganization of Shandong Geological and Mineral Company

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Abstract: In recent years, due to the government's cancellation of some iron ore mining licenses and the gradual replacement of iron ore by scrap steel. The development of domestic iron ore will be affected to a certain extent, which may hinder the development of iron ore companies. On this basis, Shandong Geology and Mine conducted a major asset reorganization, divested the main iron ore business assets, absorbed other non-mining assets, and realized a diversified business operation model. However, it is unknown whether this asset reorganization can bring sustainable profits to the enterprise. Therefore, this paper selects some suitable financial indicators to evaluate the impact of this asset reorganization on the financial performance of Shandong Geological and Mineral Company.

1. Introduction

China is the world's number one steel producer, Domestic iron ore cannot meet the demand for domestic steel production due to production and quality reasons. therefore, a large amount of iron ore needs to be imported. As the government expects to cancel one-third of iron ore mining licenses, this will further reduce domestic iron ore supply. In addition, the development trend of scrap steel gradually replacing iron ore will exist for a long time, so the development of domestic iron ore will be further affected, and the production volume may gradually decline.

Under this circumstance, the development of iron ore companies will be hindered to a certain extent. Therefore, Shandong Geological and Mineral Co., Ltd. (Hereinafter referred to as "Shandong Mining") carried out a major asset reorganization in 2018. At present, Shandong Mining focuses on mining development, pharmaceutical manufacturing, and oil processing as its core businesses. It also engages in special tire manufacturing and real estate businesses. This article analyzes the company's financial performance from the aspects of solvency, profitability, operating ability and development ability by studying the asset restructuring of Shandong Mining in 2018.

2. Case Introduction and Samples and Data Sources of Shandong Mining Asset Reorganization

2.1 Case Introduction

Due to the slow decline in iron ore production and demand, the company's development has been affected to a certain extent. Therefore, in 2018, Shandong Mining conducted asset restructuring. Transferring 100% equity of Huaibei Xulou Mining Co., Ltd., and 100% equity of Loufan County Loufan Mining Co., Ltd., and 70% equity of Shandong Shengxin Mining Co., Ltd. held by the company and its wholly-owned subsidiary Shandong Ludi Mining Investment Co., Ltd. It is purchased by the counterparty in cash, and the transaction consideration is RMB 1,109,581,400.

Shandong Mining has achieved diversified operations through this asset reorganization, which is conducive to controlling operating risks, coordinating development, and providing protection for the company's continued profitability.

2.2 Samples and Data Sources

This paper analyzes the changes in the financial indicators of the enterprise one year before the reorganization and two years after the reorganization to study the financial performance of the enterprise's asset reorganization. Through the eastmoney.com and the www.STOCKSTAR.com, the relevant data of the financial indicators of Shandong Mining Resources from 2017 to 2020 are selected. From the category of "comprehensive industry", 15 listed companies are selected as sample companies to conduct a comparative analysis with Shandong Mining.

3. Financial Performance Analysis Before and after Asset Reorganization

The financial index method evaluates the reorganization of corporate assets from a financial perspective, and plays an indispensable role in the corporate financial performance evaluation system. This article selects the financial data from 2017 to 2020, and evaluates the reorganization by longitudinal comparison of changes in financial indicators in each year. This paper selects the average value of the industry to compare with the relevant financial indicators of the company to analyzes the impact of the asset reorganization on the financial performance of Shandong Mining.

3.1 Comparative Analysis of Debt Solvency

Debt solvency refers to the ability of an enterprise to repay related debts with its funds, and it also reflects the ability of an enterprise to resist risks. In this paper, the current ratio is used to evaluate the short-term debt repayment ability of Shandong Mining, and the debt-to-asset ratio is used to evaluate the long-term debt repayment ability.

Table 1 2017-2020 Debt Solvency Indicators

Years		2017	2018	2019	2020
Current ratio	Shandong Mining	0.54	1.33	1.00	1.67
	Industry average	2.72	2.41	2.42	2.59
Debt-to-asset ratio	Shandong Mining	81.85%	55.13%	66.04%	42.75%
	Industry average	39.09%	45.21%	46.52%	47.37%

Under normal circumstances, the company's current ratio is around 2. From the data in Table 1, it can be seen that the current ratio of Shandong Mining has been significantly improved after the asset reorganization. It shows that the short-term debt solvency of enterprises has been strengthened to a certain extent through asset reorganization, but there is still a certain gap with the industry average. The lower the company's debt-to-asset ratio, the less assets it can acquire from debt and

the poorer the company's ability to use external funds. The industry's average debt-to-asset ratio is relatively stable. The company had a relatively large operating risk before the asset reorganization, and after that, it gradually close to the industry average. It shows that the long-term debt solvency of the company has been significantly strengthened after the reorganization of assets.

On the whole, after the asset reorganization, Shandong Mining's debt solvency has been significantly improved, and the ability to resist risks has been improved, but there is still a certain gap with the industry average, and the company's debt solvency still needs to be further strengthened.

3.2 Comparative Analysis of Profitability

Profitability refers to the ability of an enterprise to obtain profit in a certain period of time. The higher the profit rate, the stronger the profitability. For operators, through the analysis of profitability, problems in the operation and management links can be found.

Table 2 2017-2020 Profitability Indicators

Years		2017	2018	2019	2020
Net profit margin	Shandong Mining	-18.97%	4.16%	-34.68%	4.60%
	Industry average	17.68%	-9.71%	5.49%	2.92%
Return on total assets	Shandong Mining	-0.80%	7.18%	-17.97%	6.42%
	Industry average	7.57%	1.03%	-3.25%	1.97%
Return on net assets	Shandong Mining	-22.27%	7.88%	-47.33%	9.64%
	Industry average	4.12%	-2.58%	-4.43%	-2.55%

The higher the ratio of net profit margin, the stronger the profitability of the company. It can be seen from Table 2 that, after the asset reorganization, Shandong Mining Resources showed an overall upward trend, but the volatility was relatively high and the profitability was unstable. It shows that after the asset reorganization, the overall structure of the company has been optimized, and the profitability has been improved to a certain extent. Return on total assets represents the overall profitability of all assets of a company, including net assets and liabilities. The higher the indicator, the higher the return from investment. It can be seen from Table 2 that the overall profitability and profitability of the industry in the past two years have been poor. In 2020, the company's return on total assets and return on net assets have begun to rebound, which is higher than the industry average. It can be seen from this that after asset reorganization, the utilization efficiency of corporate assets is still not high and has greater volatility.

On the whole, after the asset reorganization, the profitability of Shandong Mining has improved to a large extent, indicating that this asset reorganization has greatly expanded the overall asset scale of Shandong Mining, and the increase in income has also increased. However, the profitability of the company in 2019 has a cliff-like decline, indicating that the profitability of the company is relatively unstable, and the company should pay more attention to the integration and distribution of resources.

3.3 Comparative Analysis of Operating Capabilities

The operating capability of an enterprise refers to the operating capability of an enterprise, that is, the ability of an enterprise to use various assets to make profits. This article selects the Current assets turnover and the Total assets turnover to analyze these two indicators after the asset reorganization, so as to analyze the operation capability of the enterprise.

Table 3 2017-2020 Operational Capability Indicators

Years		2017	2018	2019	2020
Current assets turnover	Shandong Mining	0.64	1.19	0.90	1.33
	Industry average	0.75	0.78	0.83	0.76
Total assets turnover	Shandong Mining	0.23	0.57	0.54	0.80
	Industry average	0.31	0.34	0.38	0.36

The Current assets turnover is a comprehensive indicator for analyzing the turnover of current assets. It can be seen from Table 3 that the efficiency of the company's use of funds after the asset reorganization has improved and is better than the industry average. But on the whole, the Current assets turnover of enterprises is still low, and the efficiency of capital utilization still needs to be further strengthened. The Total asset turnover is an indicator that measures the ratio of asset investment scale and sales level. The Total asset turnover of the industry as a whole is relatively low, and corporate management is at a relatively low level. After the asset reorganization, the overall level is still low, and the management level of the enterprise still needs to be further improved.

On the whole, after the reorganization, the various indicators of Shandong Mining's operating capacity have an upward trend, and are higher than the industry average, but the various indicators of the company are still at a relatively low value, and the efficiency of asset utilization still needs to be further strengthened.

3.4 Comparative Analysis of Development Ability

The analysis of enterprise development capability refers to the development potential formed by the continuous expansion and accumulation of enterprises through their own production and operation activities. By analyzing the development capabilities of the company, it can be seen whether the production and operation have expanded in recent years, whether the scope of its own market is gradually expanding, whether it has improved its position in the industry, and then promoted the growth of profits.

Table 4 2017-2020 Development Ability Indicators

Years		2017	2018	2019	2020
Main business's increasing rate of income	Shandong Mining	-35.50%	114.34%	-18.86%	-13.03%
	Industry average	16.46%	19.82%	11.45%	-3.96%
Net profit growth rate	Shandong Mining	-41.45%	147.96%	-776.02%	111.53%
	Industry average	196.34%	-134.54%	58.26%	-57.95%
Net assets growth rate	Shandong Mining	-19.82%	98.43%	-30.59%	-61.80%
	Industry average	12.38%	0.24%	0.41%	5.85%

The main business's increasing rate of income can be used to measure the company's product life cycle and determine the stage of the company's development. It can be seen from Table 4 that the company developed well in the year of asset reorganization, and from the second year onwards, the company's main business profits began to decline and its development capabilities began to decline. The Net profit growth rate reflects the expansion speed of the enterprise to maximize value. It can be seen from Table 4 that Shandong Mining has significant fluctuations from 2018 to 2020. This is due to the fact that after the completion of the reorganization, the company has invested a lot of money in pharmaceutical manufacturing and oil processing. After a year of resource integration and allocation, there has been a certain increase in the development capacity of the country. The Net assets growth rate reflects the preservation and appreciation of corporate assets. The overall development capability of the industry is relatively general. The asset reorganization only improved the development capability of the company in the year, but the development capability of the company was poor in the two years after the reorganization.

On the whole, the current asset reorganization of Shandong Mining did not bring it better

development capabilities. It can be seen from this that asset reorganization cannot guarantee the continuous improvement of the company's development capability, but only a short-term improvement. The subsequent development capability of the company still depends on the company's own integration and utilization of resources and accurate grasp of market conditions.

4. Conclusion

4.1 Conclusion of the Financial Performance of Asset Restructuring

Through the above analysis of the financial performance before and after the reorganization of Shandong Mining assets, it can be seen that the financial status of the enterprise after the asset reorganization was improved, and a number of financial indicators were improved to varying degrees. The asset reorganization helped the company divest a large amount of iron ore business, enabling the company to invest more in other businesses. However, the company did not properly allocate its own resources, which resulted in no positive effect on the company's financial performance due to this asset reorganization.

4.2 Enlightenment of Asset Restructuring

4.2.1 Inject High-Quality Resources to Enhance Corporate Image.

After the asset reorganization, the company expanded the types and scale of business, improved the company's operating conditions, protected the interests of shareholders, and improved the company's image. It also brought slow growth in profits for the company and laid the foundation for the company's subsequent development.

4.2.2 Reasonable Integration and Allocation of Resources.

Shandong Mining should make rational use of the characteristics of its subsidiaries, so that the profitability of the enterprise after the reorganization of assets can be greatly improved, and the development ability of the enterprise should be improved.

4.2.3 Improve the Efficiency of Corporate Governance and Accept Internal and External Supervision of the Company.

Establish an information disclosure system. The process of corporate asset reorganization must accept the joint supervision of the company's internal and external parties, and it is necessary to proactively notify the public of all matters of asset reorganization so that investors can fully understand the situation of the enterprise's reorganization. The internal audit department of the enterprise should also supervise the financial work in real time to ensure the transparency of financial information.

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